

STATE OF DELAWARE
OFFICE OF
AUDITOR OF ACCOUNTS

CHRISTINA SCHOOL DISTRICT

**CAFETERIA FUNDS
PERFORMANCE AUDIT**

JULY 1, 2005 – APRIL 30, 2006

FIELDWORK END DATE: AUGUST 3, 2006

R. THOMAS WAGNER, JR., CFE, CGFM, CICA
AUDITOR OF ACCOUNTS

Townsend Building, Suite 1
401 Federal Street
Dover, DE 19901
TELEPHONE 302-739-4241
FACSIMILE 302-739-2723
www.state.de.us/auditor/index.htm

EXECUTIVE SUMMARY

BACKGROUND

Christina School District (the District) hired a new superintendent in January of 2006. As part of her contract, she requested a financial review of the District. A team of State and school finance experts, convened by the Director of Office of Management and Budget (OMB) and the Secretary of the Department of Education (DOE) conducted the financial review. The preliminary results of this review pointed to an estimated deficit of over \$13M. The review recommended that a detailed audit of the Christina Child Nutrition Services (CCNS) be completed by the Office of Auditor of Accounts (AOA).

The objectives of the audit were to:

1. Determine if expenditures in Cafeteria DFMS appropriations and cafeteria operating account(s) are for the purpose of child nutrition and are allowable DOE expenditures.
2. Determine if the current Supervisor of Child Nutrition was provided funds by the District prior to becoming an employee of the District and determine if the Supervisor of Child Nutrition only was reimbursed for allowable expenditures subsequent to becoming an employee of the District.

The audit was performed in accordance with *Government Auditing Standards* applicable to performance audits issued by the Comptroller General of the United States.

AUDIT CONCLUSIONS AND OBSERVATIONS

Objective #1 of the audit was to determine if expenditures in Cafeteria DFMS appropriations and cafeteria operating account(s) are for the purpose of child nutrition and are allowable DOE expenditures. AOA determined that the expenditures were primarily for the purpose of child nutrition and were allowable DOE expenditures for the period July 1, 2005 through April 30, 2006.

However, AOA noted several deficiencies in CCNS' internal control structure. A brief summary of these deficiencies is as follows:

- 204 of 272 checks reviewed were not appropriately authorized.
- 188 of 272 checks reviewed did not have appropriate supporting documentation.
- Food invoices were not reconciled to receiving reports.
- \$3,004.26 of costs was not for child nutrition services.
- No contract or bid documentation for 8 of 14 vendors that received payments in excess of \$25,000.
- The District did not have an executed contract for services performed by an individual vendor; in addition the vendor did not have a State of Delaware Business License.
- Lack of written policies and procedures and administrative job descriptions.

EXECUTIVE SUMMARY

Objective #2 of the audit was to determine if the current Supervisor of Child Nutrition was provided funds by the District prior to becoming an employee of the District, and determine if the Supervisor of Child Nutrition only was reimbursed for allowable expenditures subsequent to becoming an employee of the District.

AOA determined that the current Supervisor of Child Nutrition was paid \$12,760.64 prior to becoming an employee of the District. The payment was for consulting services, airfare, car rental, fuel, meals, and hotel costs. The District did not have an executed contract with the individual for the services provided, and the individual did not have a Delaware business license.

After becoming Supervisor of Child Nutrition, the District reimbursed the Supervisor for \$2,962.51, which were for alcohol purchases, cell phone usage, travel expenses, and food. The reimbursements were either disallowed costs or did not have adequate supporting documentation.

TABLE OF CONTENTS

Audit Authority	1
Background	2
Objectives, Scope, and Methodology	3
Conclusions	4
Findings and Recommendations	5
Distribution of Report	14

AUDIT AUTHORITY

Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to perform post audits of all the financial transactions of all State agencies. The law requires that the audits be made in conformity with generally accepted auditing principles and practices. Such principles and practices are established by two standard setting bodies: the American Institute of Certified Public Accountants, which has issued generally accepted auditing standards; and the U.S. General Accountability Office, which has issued generally accepted government auditing standards.

BACKGROUND

Christina School District hired a new superintendent in January of 2006. As part of her contract, she requested a financial review of the District. A team of State and school finance experts, convened by the Director of Office of Management and Budget and the Secretary of the Department of Education conducted the financial review.

The preliminary results of this review pointed to an estimated deficit of over \$13M. The review recommended that a detailed audit of the Christina Child Nutrition Services be completed.

Christina School District

The District is Delaware's largest public school system, serving a diverse group of students in grades K-12. The District is comprised of three high schools (Christiana, Glasgow, and Newark), three middle schools (Gauger-Cobbs, George V. Kirk, and Shue-Medill), five intermediate schools (Bancroft, Bayard, Casimir Pulaski, Elbert-Palmer, and Frederick Douglass Stubbs), thirteen elementary schools (Albert H. Jones, Brookside, Etta J. Wilson, Henry M. Brader, Jennie E. Smith, John R. Downes, Joseph M. McVey, May B. Leasure, R. Elisabeth Maclary, Robert S. Gallaher, Thurgood Marshall, West Park Place, and William B. Keene), four special schools/programs (Christina ILC {Alternative/OPTION}, Douglass Behavioral School {REACH/CBIP}, Brennen School Delaware Autism Program, and Margaret S. Sterck Delaware School for the Deaf) and one non-traditional high school (Sarah Pyle Academy for Academic Intensity). The schools are located throughout northern New Castle County.

Cafeteria

The Christina Child Nutrition Services is committed to providing well-balanced meals that contribute to the health and well-being of the students. The child nutrition program provides breakfast and lunch in all K-6 buildings in the District. In addition, it provides lunch in all of the District's secondary school buildings. There are 28 cafeterias within the District, of which nine are cooking operations and 19 are satellite operations. The program is managed in accordance with the National School Lunch Act, policies established by the District's Board of Education, and DOE.

The following information is applicable to the cafeteria operations of the District:

- Activity is reported through appropriations within DFMS (appropriations 8300, 0115, 0116, and 0139) as well as one operating account outside of DFMS.
- Federal reimbursements for free and reduced lunch are received monthly from DOE.
- Federal and State regulations.
- Bi-annual reports submitted to DOE.

OBJECTIVES, SCOPE, & METHODOLOGY

OBJECTIVES

1. Determine if expenditures in Cafeteria DFMS appropriations and cafeteria operating account(s) are for the purpose of child nutrition and are allowable DOE expenditures.
2. Determine if the current Supervisor of Child Nutrition was provided funds by the District prior to becoming an employee of the District, and determine if the Supervisor of Child Nutrition only was reimbursed for allowable expenditures subsequent to becoming an employee of the District.

SCOPE

Objective #1 of this performance audit covers the period from July 1, 2005 through April 30, 2006 and included reviewing all personnel charged to the Cafeteria appropriations and all invoices and journal entries greater than \$1,000 charged to the outside cafeteria account and the 8300 series appropriations in DFMS.

Objective #2 of this performance audit covers six months prior to the Supervisor of Child Nutrition's hire date (July 1, 2005) and from July 1, 2005 through April 30, 2006.

Audit fieldwork was completed on August 3, 2006.

METHODOLOGY

The audit was performed in accordance with *Government Auditing Standards* applicable to performance audits issued by the Comptroller General of the United States.

Audit procedures consisted of the following:

- Reviewed laws and regulations pertaining to child nutrition services and the processing of transactions.
- Interviewed appropriate officials at DOE and the District.
- Obtained PHRST, DFMS, and outside account expenditure transaction data.
- Verified salary expenditures and invoices greater than \$1,000 and all journal entries.
- Analytically reviewed other employment costs.
- Inspected supporting documentation such as personnel files, vendor invoices, and personnel reimbursement requests.

The criteria used in the performance of this audit consisted of:

- 14 Delaware Code, Chapter 13, *Salary and Working Conditions of School Employees*.
- 14 Delaware Code, Chapter 15, *Fiscal Provisions*.
- DOE Administrative Manual, Section 731, *School Food Service Employees*.
- State of Delaware, *Budget and Accounting Manual*.
- COSO, *Internal Control - Integrated Framework*.
- United States Department of Agriculture *National School Lunch Program*.

CONCLUSIONS

Determine if expenditures in the Cafeteria DFMS appropriations and Cafeteria operating account were for the purpose of child nutrition and are allowable expenditures.

AOA reviewed all expenditures over \$1,000 in the Cafeteria operating account and determined that they were primarily for the purpose of child nutrition and were allowable DOE expenditures for the period July 1, 2005 through April 30, 2006.

However, AOA noted several deficiencies in the District's internal control structure. A brief summary of these deficiencies is as follows:

- 204 of 272 checks reviewed were not appropriately authorized.
- 188 of 272 checks reviewed did not have appropriate supporting documentation.
- Food invoices were not reconciled to receiving reports.
- \$3,004.26 of costs was not for child nutrition services.
- No contract or bid documentation for 8 of 14 vendors that received payments in excess of \$25,000.
- The District did not have an executed contract for services performed by an individual vendor; in addition the vendor did not have a State of Delaware Business License.
- Lack of written policies and procedures and administrative job descriptions.

Determine if the current Supervisor of Child Nutrition was provided funds by the District prior to becoming an employee of the District, and determine if the current Supervisor of Child Nutrition only submitted and was reimbursed for allowable expenditures subsequent to becoming an employee of the District.

The current Supervisor of Child Nutrition was paid \$12,760.64 prior to becoming an employee of the District. The payment was for consulting services, airfare, car rental, fuel, meals, and hotel costs. The District did not have an executed contract with the individual for the services provided, and the individual did not have a Delaware business license.

After becoming the Supervisor of Child Nutrition, the District reimbursed the Supervisor for \$2,962.51, which were for alcohol purchases, cell phone usage, travel expenses, and food. The reimbursements were either disallowed costs or did not have adequate supporting documentation.

FINDINGS AND RECOMMENDATIONS

Finding #1 - Vendor Invoices

The business office receives supporting documentation for food vendor invoices from the individual cafeterias. The documentation consists of receiving documents, delivery tickets, work orders, and/or invoices. Supporting documentation is inconsistent and does not always completely support the amount paid to the vendor. The business office does not reconcile the receiving reports, delivery tickets, and/or work orders to the vendor invoices, and prices on the invoice are not reconciled to the vendor's contract. Of the 272 payments reviewed, there was incomplete or missing documentation for 188 checks. In addition, authorization of invoices is only documented via signatures on the check. Also, 204 of the 272 invoices were not properly authorized because a manager does not sign individual invoices or invoice packets.

Internal Control - Integrated Framework, published by COSO (Committee of Sponsoring Organizations of the Treadway Commission), defines control activities as policies and procedures that help ensure management directives are carried out. Control activities occur throughout an organization, at all levels and functions, and include a wide range of activities, such as authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties. To ensure control activities meet the objectives of management, supporting documentation for all such activities should be referred to or maintained with the financial documents.

The State Budget and Accounting Manual Chapter II states, "transactions are to be properly authorized" and further defines authorization as "transactions approved by management."

Internal Control - Integrated Framework, published by COSO, defines authorization as, "the approval of transactions in accordance with policies and procedures established by management."

This finding is due in part to a lack of written policies and procedures specifying management directives, a lack of communication to responsible employees, and poor supervision or follow through by management. If supporting documentation is not received or reconciled to invoices and invoices are not authorized by management, management cannot ensure that all transactions are accurate, valid, and appropriate.

Recommendation

To promote consistency and accuracy of supporting documentation, CCNS communicate to the cafeterias the types of supporting documents that should be provided when goods and services are received at the cafeteria. Delivery tickets should be validated and signed by the person receiving the goods at the cafeteria, and any discrepancies in quantities on the delivery ticket and quantity received should be documented on the delivery ticket. CCNS should then reconcile the delivery tickets to the invoices as well as on a test basis compare the prices on vendor food invoices to vendor contracts. If supporting documentation does not support the invoice and/or if the price on the invoice does not agree to the contract, CCNS should discuss discrepancies with the vendor and adjust the vendor statement to reflect the accurate payment due or the credit that will be due to CCNS. When vendor statements are received, invoices and credits due should be agreed to the vendor statement. The vendor statement should be

FINDINGS AND RECOMMENDATIONS

included in the payment package and should be initialed by the check signer to denote proper review and authorization of the payment.

Auditee Response

Vendor Invoices:

Product intake - Upon delivery all products must be received and verified by either the cafeteria manager or a qualified assistant ("receiving agent"). Upon verification the invoice/packing slip ("receipt report") must be signed by the receiving agent.

Invoice Processing - All invoices must be verified by assigned CNS office staff upon receipt. If a packing slip is received at the time of delivery instead of an invoice, the office staff will match the packing slip to the invoice. Any invoices or packing slips not signed must be returned to the receiving agent for verification. Invoices will be adjusted to match the receipt report. Any receiving agent who submits unsigned invoices/packing slips will be retrained in the procedure. Repeat offenders will be disciplined according to CNS/CSD disciplinary guidelines. Invoices and credit memos will be reconciled to vendor statements. On a test basis, invoice prices will be tested against vendor contracts.

Payment - No check will be written for any unsigned invoice or a signed packing slip matched to an invoice in lieu of a signed invoice. No check will be written for packing slips.

Check Signing - The signer of checks must initial the statement of invoices attached upon review of the statement and corresponding invoices.

Repair and Maintenance Vendors:

Work Order -

- A work order will be created for each repair or maintenance request. Each work order will be numbered.
- The work order will describe the nature of the repair or maintenance request, date and time the work order was created.
- The work orders are kept in a work order log that is labeled as such.
- Upon receipt of the invoice it will be matched to the corresponding work order and signed by CNS Supervisor Marc-Antony Williams. No payment will be approved for invoices submitted without work order documentation.

Procedures – The District and CNS were working on documenting all policies and procedures prior to commencement of the audit. We will continue to work on them until all activities have been documented.

FINDINGS AND RECOMMENDATIONS

Finding #2 - Disallowed Costs

AOA identified CCNS expenditures totaling \$3,004.26 that are not allowable DOE expenditures and are not for the purpose of child nutrition. Of this total, \$2,969.51 represents reimbursement to a CCNS employee. In addition the employee being reimbursed did not always complete the *CCNS Manager Reimbursements* form in its entirety and authorize the transactions as check signer. The disallowed expenditures are detailed below:

PAYEE	EXPENDITURE	REASON	AMOUNT
Supervisor of Child Nutrition Services	Alcoholic beverages	Disallowed Cost	\$ 321.00
Specialist	Alcoholic beverage	Disallowed Cost	7.00
Supervisor of Child Nutrition Services	Cell phone purchase	Disallowed Cost	199.99
Supervisor of Child Nutrition Services	Monthly cell phone bills	Disallowed Cost	1,358.12
Supervisor of Child Nutrition Services	Travel expense to an event titled International Guest Chef Gala	Disallowed Cost	232.40
Supervisor of Child Nutrition Services	Travel expense to NY	No business purpose noted, no receipts attached	582.00
Supervisor of Child Nutrition Services	Food for meetings	Insufficient supporting documentation and/or no business purpose noted	119.38
Supervisor of Child Nutrition Services	Employee Dinner	No business purpose noted	149.62
		CCNS EMPLOYEES SUBTOTAL	\$2,969.51
Vendor	Reimbursement for alcoholic beverages	Disallowed Cost	34.75
		TOTAL	\$3,004.26

The Department of Education's *Employee Handbook, Part V* documents standard operating procedures that disallow reimbursement for alcoholic beverages as well as set limits on business related phone charges, and food and beverages at meetings. The handbook states "employees will be reimbursed up to a maximum of \$100 per fiscal year for job related phone calls charged to the employees personal phone account during the Department's normal business hours." The handbook also states, "Food (interpreted as food items and beverage items) may not be provided to state employees during regular work hours. (29 Del. C. §5112) However, the recent annual budget acts have included an option for a State agency to request a waiver for special situations from the Budget Director and Controller General." If the waiver is received it applies to meetings "where more than 75% of the participants are non-DOE employees."

FINDINGS AND RECOMMENDATIONS

The State Budget and Accounting Manual Chapter VIII states, “reimbursement for alcoholic beverage is strictly prohibited.” Although the District is exempt from the Statewide Travel Policy, this policy documents generally accepted practices and establishes adequate parameters for employees to make appropriate judgments about the expenditure of taxpayer dollars.

The State Budget and Accounting Manual Chapter II states, “transactions are to be properly authorized” and further defines authorization as “transactions approved by management.”

Internal Control - Integrated Framework, published by COSO, defines control activities as policies and procedures that help ensure management directives are carried out. Control activities occur throughout an organization, at all levels and functions, and include a wide range of activities, such as authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties. To ensure control activities meet the objectives of management, written policies and procedures with regards to travel, food and beverages at meetings, and business use of employees’ personal phones need to be established, communicated to employees, and documented.

This finding is due in part to a lack of written policies and procedures specifying management directives, a lack of communication to responsible employees, and poor supervision by management. If management is not appropriately reviewing personal expense reimbursements, payments may be made for disallowed expenditures. If supporting documentation is not received, reviewed, and reconciled to employee expense reimbursement requests or invoices, and reimbursement requests and invoices are not authorized by management, management cannot ensure that all transactions are accurate, valid, and appropriate.

Recommendation

The employee pay back CCNS \$2,969.51 for the disallowed reimbursements. Also, the District and CCNS personnel review expense reimbursements and invoices for appropriateness of expenditures, adequate supporting documentation and documented business purpose in accordance with the State and DOE’s travel policies. The *CCNS Manager Reimbursements* form should be completed in its entirety and the appropriate authorizations obtained. The Supervisor of CCNS should not approve his own expense reimbursements and sign checks made payable to himself.

Auditee Response

Cell phone purchase – Child Nutrition Services has operations in all schools in the district. The Supervisor of Child Nutrition Services is required to travel between buildings continuously. A cell phone is a necessity to keep in touch with the CCNS staff and the District staff. No district cell phones were available when the Supervisor was hired so CCNS purchased one for the Supervisor’s business use. The phone is considered CCNS property and not the Supervisor’s. The District has no dollar limit on the reimbursement of cell phones as the State does, however the use of the phone must be of a business nature. The District is developing a cell phone policy that will also include CCNS.

Travel expense to the International Guest Chef Gala – The District requested that the Supervisor attend this event to meet with a food service company and other school districts that utilize the company. The purpose of the trip was to evaluate using the company in our CCNS operations. Going forward,

FINDINGS AND RECOMMENDATIONS

information regarding the business nature of the travel will be included with the request for reimbursement.

Travel expense to NY – The District requested that the Supervisor visit another school district to learn from another district how to successfully revamp CNS operations. During the trip, all receipts were lost. Going forward, information regarding the business nature of the travel will be included with the request for reimbursement. For receipts that are lost, the employee will be required to submit a statement documenting the loss.

Food for meetings – The reimbursement request was for food purchased for consumption by the Board of Education during one of their meetings. Going forward, information regarding the business nature of the reimbursement will be included with the request for reimbursement.

Employee dinner – An after hours staff meeting was held to discuss employee morale and dinner was supplied. Going forward, information regarding the business nature of the reimbursement will be included with the request for reimbursement.

CCNS Manager Reimbursements form – Going forward these forms will be completed in their entirety.

Supervisor of Child Nutrition Services expense reimbursements – The Supervisor's reimbursement forms will be approved by an Assistant Superintendent or the District Business Office in the future. Checks cut to the Supervisor will be signed by an Assistant Superintendent or the District Business Office.

Alcoholic beverages – CCNS staff have been made aware that alcohol is not a reimbursable expense. The Supervisor of CCNS will make restitution for \$321.

Procedures – The District and CCNS began working on documenting all policies and procedures prior to commencement of the audit. We will continue to work on them until all activities have been documented.

Finding #3 - Non-Compliance with State Bid Laws

CCNS did not comply with State Bid Laws. There were fourteen vendors that received payments from CCNS in excess of \$25,000. For 8 of the 14 vendors that received payments in excess of \$25,000, there was no contract or bid documentation.

Delaware Code Title 29 Chapter 69, State Procurement states that agencies are required to use the formal bidding procedures when a purchase is made in an amount that exceeds the threshold limit. For material and non-professional services, \$25,000 and over requires a formal bid.

CCNS did not follow State procurement laws and continued to operate as had been done in the past. By not following the State bid laws, CCNS may not be obtaining the highest quality goods, materials, and services at the best possible price.

FINDINGS AND RECOMMENDATIONS

Recommendation

CCNS comply with State of Delaware Law regarding procurement. The purchase of materials and supplies under \$10,000 requires no quotes or bids. For costs of at least \$10,000, but less than \$25,000, at least three written quotes or quotes from all available sources, whichever is fewer, must be obtained and attached to the purchase order. If the lowest quote vendor is not selected, then a written explanation is to be attached. For costs \$25,000 or more, a public advertised bid request must be developed, advertised, and a formal bid opening must take place.

Auditee Response

CCNS began working with the District Procurement Office to comply with the State Procurement Policies as soon as this was brought to their attention.

Finding #4 - Contracted Services with Individuals

The District did not have an executed contract with an individual contractor paid for providing consulting services to the District's CNS program. The Purchase Order (PO) did not contain a contract number, the business license number of the individual contractor, and the statement: "The rights and obligations of each party to this agreement shall not be effective and no party shall be bound by the terms of this agreement unless and until the Division of Accounting has approved the provisions of the contract and a valid executed purchase order has been approved by the Secretary of Finance," nor was a signed contract attached. The District contracted with an individual contractor who was not licensed to conduct business in the State of Delaware. The Contractor did not have a Delaware Business License.

The State of Delaware *Budget and Accounting Manual* Chapter VI states, "Agencies retaining an individual as consultant must submit to Accounting the PO and/or the proposed contract signed by the authorized signatory. The PO should contain a contract number, the business license number, a brief statement of the services to be provided, and the following statement: "The rights and obligations of each party to this agreement shall not be effective and no party shall be bound by the terms of this agreement unless and until the Division of Accounting has approved the provisions of the contract and a valid executed purchase order has been approved by the Secretary of Finance."

Delaware law requires every person, firm or corporation conducting a business within the State to obtain a license and to pay the related fees. The Division of Revenue requires that all persons or companies conducting business activities in Delaware obtain a business license by completing Form CRA, Combined Registration Application For State of Delaware Business License and/or Withholding Agent.

The District did not follow the State of Delaware *Budget and Accounting Manual* when contracting for professional services with an individual. This resulted in contracting with an individual who was not licensed to conduct business in the State.

FINDINGS AND RECOMMENDATIONS

Recommendation

When contracting for professional services with an individual, the District must complete the PO and include the additional information as required by the State's *Budget and Accounting Manual* including a contract number, the business license number, a brief statement of the services to be provided, and the following statement: "The rights and obligations of each party to this agreement shall not be effective and no party shall be bound by the terms of this agreement unless and until the Division of Accounting has approved the provisions of the contract and a valid executed purchase order has been approved by the Secretary of Finance." An executed contract signed by both parties must be obtained and attached to the PO. Contracts with individuals must include a statement indicating that the independent contractor is not a State employee.

AOA will refer the issue of the unlicensed Contractor to the Division of Revenue.

Auditee Response

Although purchases over \$2,500 paid from local district funds are not required to comply with this policy per the State's Budget and Accounting Manual Chapter IV, the District did obtain a proposal for the services and did process a purchase order. The purchase order and proposal were submitted to and approved by the Division of Accounting prior to services being performed.

Auditors' Comment

The District did not have an executed contract with an individual contractor and the individual contractor did not have a valid Delaware Business License.

Finding #5 - Policies and Procedures

CCNS does not have written policies and procedures for any of their current operating processes or standard operating procedures.

Management is responsible for establishing internal controls through written policies and procedures. Written policies and procedures are beneficial for identifying and ensuring that control objectives are met, as well as the training of current and new employees, and are a valuable resource in the event an employee leaves CCNS. Policies and procedures should be updated regularly and include sufficient information to permit an individual who is unfamiliar with CCNS's operations to perform the necessary activities.

Documentation is an important aspect of control and communication. It generally provides (1) an understanding of an entity's objectives, (2) a basis for training new personnel, (3) a means of communicating common information, (4) a source of information about accounting controls, and (5) a source of information that will aid in providing continuity in the event experienced personnel leave.

The State of Delaware *Budget and Accounting Manual* Chapter II states, "A well designed system of controls must include written policies and procedures to ensure that each control objective is met."

FINDINGS AND RECOMMENDATIONS

Internal Control - Integrated Framework, published by COSO, defines control activities as policies and procedures that help ensure management directives are carried out. Control activities occur throughout an organization, at all levels and functions, and include a wide range of activities, such as authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties. To ensure control activities meet the objectives of management, written policies and procedures need to be established, communicated to employees and documented.

CCNS has not documented their policies and procedures for current operating processes nor have they documented their standard operating policies and procedures. Processes and policies may not be properly communicated to employees nor consistently followed. There is no assurance that new and existing personnel will have adequate guidance in performing their assigned tasks or that CCNS will be in compliance with applicable laws and regulations. This lack of written procedures increases the risk of loss of funds, theft of assets, and disruption of operations.

Recommendation

CCNS develop written policies and procedures to properly and adequately detail the processing and approval of transactions. Policies should include:

- The identification of positions/individuals who (a) maintain the record of accounts, (b) authorize transactions, (c) reconcile the accounts, and (d) review the reconciliations;
- How accounts are maintained (accounting software, manual ledgers, etc.);
- Detailed procedures related to revenues, cash receipts and deposits, expenditures and cash disbursements, payroll, and inventory. For cash receipts this includes method of documenting cash receipts, custodial duties and responsibilities, physical security requirements, reconciliation procedures, depository procedures, and frequent and unannounced cash counts. For cash disbursements include management/supervisor approval requirements, disbursement guidelines, voiding checks, and investigation of outstanding checks;
- A description of required forms (i.e. personal expense reimbursements) and the authorizations necessary for the forms; and
- Incorporation of all applicable laws and regulations.

CCNS develop written standard operating policies and procedures incorporating all applicable laws and regulations and should include the organization of the department, employment conditions and policies, office procedures such as travel policy, personal reimbursement policy, professional services, and purchases of materials and supplies.

Auditee Response

The District and CCNS began working on documenting all policies and procedures prior to commencement of the audit. We will continue to work on them until all activities have been documented.

FINDINGS AND RECOMMENDATIONS

Finding #6 - Current Job Descriptions

General job descriptions for CCNS office/administrative employees are on file with the District's Human Resources Department. They are not maintained by CCNS and do not reflect the current responsibilities of the office.

Internal Control - Integrated Framework, published by COSO, states "pertinent information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. In addition to receiving relevant data for managing their activities, all personnel, particularly those with important operating or financial management responsibilities, need to receive a clear message from top management that internal control responsibilities must be taken seriously. Specific duties must be made clear. Each individual needs to understand the relevant aspects of the internal control system, how they work and his or her role and responsibility in the system." To ensure that employees carry out their responsibilities and understand their role in the internal control system, as well as how individual activities relate to the work of others, written job descriptions need to be established, communicated to employees, and documented.

CCNS does not maintain detailed, written job descriptions for office/administrative employees. The lack of detailed, written job descriptions increases the risk that employees may not be able to carry out their responsibilities. Without up-to-date job descriptions, management may find it difficult to clearly and consistently evaluate employees and to hire based on established criteria.

Recommendation

CCNS develop and maintain written job descriptions for office/administrative employees that detail the responsibilities and duties for each position allowing for a division of authority, responsibility and duties in an appropriate manner. These job descriptions should be distributed and communicated to the respective employees. CCNS update the job descriptions as responsibilities change with the position.

Auditee Response

Job descriptions are on record at CCNS, at the District Office and in the union contract. Each employee is provided a copy of their job description upon employment. In addition the union will supply an additional copy upon request. The union also holds annual meetings and reviews job descriptions with the staff.

Auditors' Comment

Job descriptions could not be provided to AOA by CCNS office staff. AOA supports our recommendation that Administrative job descriptions detailing the specific responsibilities and duties for each administrative position are developed, updated, and communicated to employees.

DISTRIBUTION OF REPORT

Copies of this report have been distributed to the following public officials:

Executive

The Honorable Ruth Ann Minner, Governor, State of Delaware
The Honorable Richard S. Cordrey, Secretary, Department of Finance
The Honorable Jennifer W. Davis, Director, Office of Management and Budget
The Honorable Valerie Woodruff, Secretary, Department of Education
Ms. Dorcell Spence, Associate Secretary, Finance and Administrative Services, Department of Education
Ms. Trisha Neely, Director, Division of Accounting, Department of Finance

Legislative

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable Carl C. Danberg, Attorney General, Office of the Attorney General

Other

Mr. James R. Durr, President, Board of Education, Christina School District
Dr. Lillian M. Lowery, Superintendent, Christina School District
Mr. Marc Antony Williams, Supervisor, Christina Child Nutrition Services